

1 CHAIRMAN JAMES: Mr. Jahoda?

2 MR. JAHODA: I thank you very much for the
3 invitation, Madam Chairman. My name is William Jahoda. For a
4 15-year period between the mid-1970s until about 1990, I was a
5 full-time member of Chicago's Organized Crime Syndicate. That
6 criminal gang was known amongst ourselves and lawmen alike as The
7 Outfit.

8 I was active during that period almost exclusively
9 within the framework of illegal gambling enterprises.
10 Personally, I considered myself an employee of the mob's
11 entertainment and hospitality division. During the last decade
12 of my criminal career, I functioned as the managing partner for
13 The Outfit's most expansive and lucrative gambling network.

14 My duties included the hiring, training and
15 supervision of our sports bookmaking and gambling house employees
16 as well as the responsibility of maintaining accounting records
17 and arranging cash disbursements for members of the operation.
18 Thus, I am considered knowledgeable and credible on gambling
19 issues based on my experience, research and observation.

20 When I was mopped up, our clientele, employees,
21 confederates and allies included members of the sitting
22 judiciary, city mayors, county sheriffs, municipal police chiefs,
23 and numerous other elected or appointed public officials, not to
24 mention civic leaders, clergymen, show business celebrities and
25 about a dozen former professional athletes.

26 The axiom we believe in is foolproof, simple and
27 still in place today. It is this: any form of organized
28 gambling is a cold-blooded, zero sum game, mathematically

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1 designed so that over time the players must end up with a zero
2 and the house must end up with the sum.

3 At this point, it should be stated that I have no
4 objection to anyone who chooses to gamble fairly and honestly in
5 a legal social setting. Organized gambling, however, is a
6 predatory and dangerously different product because the operator,
7 commonly known as the house, charges a fee or holds a
8 mathematical superiority over the player.

9 The shift in favor of the house becomes dramatic in
10 real dollars. Licensed horse and dog tracks charge a hidden fee
11 via the parimutuel betting system where the house retains about
12 20 percent of the total wagers in every race and disburses the
13 remaining 80 percent to the winners.

14 Mob bookies charge a disclosed fee of 10 percent or
15 more on losing sporting bet operations while Keno operators and
16 gambling houses tend to conceal a higher percentage in favor of
17 the house.

18 The mob's legacy and fingerprints are all over these
19 examples and more regarding organized gambling. The question is
20 not how did we get here but who led us into this evolving
21 position and why?

22 Since 1982, organized gambling in this country has
23 been driven and controlled by three major cartels. Their bosses
24 and underlings push the product, establish the territories,
25 provide the distribution and set the market prices.

26 These cartels are: number one, organized crime;
27 number two, corporate gambling interests; number three, state
28 governments who promote gambling.

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1 Since organized gambling is nothing more than a
2 cleverly marketed form of consumer fraud, I was concerned in the
3 late '70s and early '80s that we, in organized crime, would
4 virtually cannibalize our own market share within 10 years.

5 If we, as the mob, or Las Vegas as corporate America,
6 for example, were to deteriorate our gambling base as per design,
7 how would we find new revenues? In the case of the Chicago
8 Outfit, our long-range business interests were aided by an
9 ambitious though naive ally, the State House.

10 Illinois, like many states since, approved a variety
11 of licensed gambling activities through legislation. From then
12 on, there always existed one solid and dependable constant to
13 those of us in organized crime. Any new form or expansion of
14 existing state-controlled licensed gambling always increased our
15 market share.

16 Simply put, the political dupes are stooges who
17 approved riverboat gambling houses, lotteries, off-track betting
18 sites, Las Vegas nights, et cetera, became our unwitting pimps
19 and front men.

20 Of most benefit to us in the Chicago gambling
21 underworld were: a) state-funded campaigns that virtually teach
22 the younger generation how to place bets at race tracks; b) mass
23 media advertising blitzes false promoting gambling as opportunity
24 or entertainment; c) the resultant desensitization within the
25 community from the reality that most forms of gambling, whether
26 run by the state, corporations or the mob, are, by their very
27 parasitic nature and actual and potentially dangerous vice.

28 In Chicago, illegal gambling profits were The
29 Outfit's single largest source of income. It was those revenues

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1 that were then used to fund other criminal activities or
2 enterprises such as prostitution, chop shops, porno stores,
3 burglaries, arson and loan sharking.

4 Other gambling income would be set aside or spent as needed for
5 operating expenses.

6 Time does not permit me to detail other examples of
7 the corrupt and damage gambling does to the community but I will
8 say that any time an approved gambling house is introduced into a
9 medium-sized metropolitan area, the presence of crime syndicates
10 will be arriving shortly thereafter, or if it's already in place
11 to some degree, it will expand.

12 Criminals, you see, view public gambling halls and
13 their often gullible patrons as their targets of opportunity.
14 Unfortunately, gambling also produces countless tens of thousands
15 of previously honest law-abiding men and women to commit illegal
16 acts to pay off gambling debts.

17 And I'm not referring to addiction in any form. I'm
18 not qualified to address that issue and I'm sure you have access
19 to data on that topic from experts.

20 No, what I'm addressing is the fact that gambling is
21 the only known vice where an otherwise normal, average person
22 can, within an hour, an evening, or a night, lose every worldly
23 possession they've acquired to that point of their life.

24 That's why all forms of gambling among private
25 citizens are not legal; are, in fact, against the law in almost
26 every case in every one of our 50 states. And why is that? Is
27 it because, among other reason, gambling operators often prey on
28 the weak and the poor? Not entirely.

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1 It's also because we, as a culture, have learned
2 through precedent and compassion, that there are times when
3 people need laws to protect them from themselves.

4 This is one reason why our forefathers banned dueling
5 and why contemporary jurists drafted laws against attempted
6 suicide and illegal drug use and why anti-gambling felony laws
7 remain on the books from coast to coast today, for the reason
8 that gambling isn't dangerous because it's illegal but gambling
9 is illegal because it's dangerous.

10 The mob bosses understood that. I suspect most of
11 the operators who run the other cartels today are observing the
12 same reality, as well they should.

13 After all the camouflage is removed, the harsh truth
14 is that every form of organized gambling is either a replica, a
15 knock-off or a jazzed-up model of every betting scam the mob
16 trotted out before an unsuspecting public in the barren Las Vegas
17 nightscape 50 years ago.

18 Today the scene has been altered dramatically. This
19 month and next, Vegas gaming interests will spend millions in
20 California to block tribal wagering expansions that appear on
21 that state's November ballot.

22 Meanwhile, some tribes, which the mob has been trying
23 to partner up with in its scheme since the early 1980s, are
24 proving themselves more progressive than the rest of the gambling
25 crews. Some tribes allow 18- and 19-year old boys and girls to
26 blow their allowance or their tuition money at their tables.

27 And the latecomers to this twisted dance, the state
28 governing bodies who approve lotteries and riverboats, are
29 learning the hard way, that unlike Las Vegas, they can't import

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1 the money and then export the attendant social costs. So now
2 they find themselves strip mining, overgrazing and clear-cutting
3 their own citizens.

4 An exhibit I submitted in advance details how 10,000
5 college kids putting \$100 each into a common betting pool of \$1
6 million can turn that amount into two pizzas and a six-pack if
7 they play state lotteries in one afternoon.

8 I also forwarded to this commission copies of full-
9 page cigarette ads which were put in on the inside back cover of
10 Life magazine in the early 1950s. One ad launched cigarette
11 smoking as pleasing to the throat while a prominent singer of the
12 day describes how much fun smoking can be.

13 The second ad depicts the tobacco industry's first
14 targeted pitch to the female market and concludes with copy
15 stating that researchers who talked to -- picture this -- 110,000
16 doctors said that the medical community's cigarette of choice was
17 the brand sponsored in the ad.

18 As we all know now, smoking is not exactly about
19 relaxation, comfort and, quote, fun, unquote. The gambling
20 industry is using the same ploys and blatant dodges, maybe even
21 the same ad agencies today, some 40 years later, to peddle a more
22 dangerous product to our society.

23 When I came down to this wonderful city yesterday --
24 and by the way, I should say I'm not familiar with the
25 circumstances here in Mississippi -- I forgot how beautiful this
26 state was. Mississippi just might be fortunate enough to be
27 another one of those states that can import the money and export
28 the problem but that could be determined by experts.

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1 When I was coming through Atlanta and I ran into a
2 friend of mine, a formal journalist, and he says, hey, B, what's
3 going on with the mob?

4 And I told him, Danny, you know, Gotti goes to the
5 can, he gets boxed up and the media moves on; the caravan moves
6 on to the next topic, but don't think for a minute that because
7 John Gotti's out of the picture -- and I never thought he was the
8 guy in the first place -- I don't claim to know; I don't -- but
9 if history has taught us anything, is that a Pope, a premier, a
10 prince, a president can die in a heartbeat. Life changes in a
11 heartbeat. They have to be replaced.

12 And I'm reminded -- and this is not anecdotal, this
13 is based on fact -- and I'll be brief -- I don't want this young
14 lady to beat me up with that stop sign.

15 CHAIRMAN JAMES: And if she won't, I will.

16 MR. JAHODA: I'm in trouble. This is based on fact.
17 When I was doing some undercover work, working with some fine
18 treasury agents in Chicago -- this conversation took place in
19 1989 -- we were running a wire against the underboss of the
20 Chicago Outfit.

21 He was mentioning that the Chicago Police Chief --
22 and here's a guy who, at the time, is in charge of over 10,000
23 lawmen -- was in our pocket. He was going to try to shift a few
24 people around to take the heat off of the gambling enterprises
25 because this is an era in Chicago -- I was more worried about
26 getting arrested for jaywalking than for bookmaking.

27 But as I explained to Dan, to show him that the mob
28 is alive and thriving in Chicago, that police chief, I just

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1 learned, is now a candidate to be the sheriff in Cook County.

2 And so I just want to let him and you know, the mob does thrive.

3 And in closing --

4 CHAIRMAN JAMES: Thank you.

5 MR. JAHODA: -- this is the very first opportunity
6 I've had to sit next to Mr. Margolis in a public setting. He was
7 the head of the most prestigious law enforcement agency in the
8 State of Illinois during several of my more lucrative earning
9 years as a mob guy.

10 I just want to take this opportunity to say to Mr.
11 Margolis, thank you.

12 CHAIRMAN JAMES: He's alive and well here in
13 Mississippi. Thank you very much.

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